

PUBLIC SAFETY PERSONNEL  
RETIREMENT SYSTEM

LOCAL BOARD

REGULAR MEETING  
AGENDA

JANUARY 26, 2017  
7:00 AM

EAGAR POLICE DEPARTMENT  
MEETING ROOM  
174 SOUTH MAIN STREET  
EAGAR, AZ 85925

NOTICE OF THE REGULAR MEETING OF THE  
**EAGAR PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM  
LOCAL BOARD**  
JANUARY 26, 2017 – 7:00 A.M.  
174 S. MAIN STREET  
EAGAR POLICE DEPARTMENT MEETING ROOM, EAGAR, AZ

PURSUANT TO A.R.S. 38 431.02, NOTICE IS HEREBY GIVEN TO THE MEMBERS OF THE PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM LOCAL BOARD OF THE TOWN OF EAGAR AND THE GENERAL PUBLIC THAT THE PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM LOCAL BOARD WILL HOLD A REGULAR MEETING OPEN TO THE PUBLIC **ON THURSDAY, JANUARY 26, 2017, BEGINNING AT 7:00 A.M., AT THE EAGAR POLICE DEPARTMENT MEETING ROOM LOCATED AT 174 S. MAIN STREET, EAGAR, ARIZONA.**

**AGENDA**

1. **CALL TO ORDER** – EAGAR PSPRS LOCAL BOARD MEMBER MELISSA WALLACE WILL BE ATTENDING TELEPHONICALLY
2. **OPEN CALL TO PUBLIC**
3. **CONSENT AGENDA**
  - A. APPROVAL OF THE MINUTES OF THE PSPRS LOCAL BOARD OF AUGUST 25, 2016
  - B. ACCEPTANCE OF THE APPLICATION FOR A SEPARATION REFUND FROM PSPRS FOR BRANNON ROSS EAGAR AS OF AUGUST 29, 2016
  - C. ACCEPTANCE OF CLINTON MALY'S NEW MEMBERSHIP INTO THE PSPRS THROUGH THE EAGAR POLICE DEPARTMENT EFFECTIVE NOVEMBER 5, 2016
4. **UNFINISHED BUSINESS**
5. **NEW BUSINESS**
  - A. PRESENTATION BY EAGAR FINANCE MANAGER KATIE BRADY ON THE FINANCIAL STATUS OF THE EAGAR POLICE DEPARTMENT PSPRS
  - B. DISCUSSION OF LATEST INFORMATION REGARDING THE *HALL* LAWSUIT COURT DECISIONS AND LEGISLATIVE UPDATE AS OF 2016
6. **EXECUTIVE SESSION**
  - A. EXECUTIVE SESSION AS ALLOWED BY A.R.S. § 38-431.03.A2 - DISCUSSION OF RECORDS EXEMPT BY LAW FROM PUBLIC INSPECTION, INCLUDING THE RECEIPT AND DISCUSSION OF INFORMATION OR TESTIMONY THAT IS SPECIFICALLY REQUIRED TO BE MAINTAINED AS CONFIDENTIAL BY STATE OR FEDERAL LAW – REVIEW OF EAGAR NEW PSPRS MEMBER'S MEDICAL HISTORY

RECONVENE INTO SPECIAL SESSION

- B. DISCUSSION AND CONSIDERATION OF ANY ACTION DEEMED NECESSARY FROM THE EXECUTIVE SESSION

**7. SIGNING OF DOCUMENTS**

**8. ADJOURNMENT**

IF ANYONE WISHING TO ATTEND THIS MEETING HAS SPECIAL NEEDS DUE TO A DISABILITY, PLEASE CONTACT THE TOWN CLERK AT 928-333-4128 TWENTY-FOUR HOURS PRIOR TO THE MEETING AND ACCOMMODATIONS WILL BE PROVIDED. ANYONE NEEDING INFORMATION ON THE CURRENT MEETING PLEASE CONTACT THE TOWN CLERK AT 928-333-4128

POSTED BY: EVA WILSON

DATE: JANUARY 19, 2017

TIME: 4:00 PM

**MINUTES**  
**PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM**  
**EAGAR LOCAL BOARD**  
**Eagar Council Chambers, 22 W. 2<sup>nd</sup> Street, Eagar**  
**AUGUST 25, 2016 – 7:00 A.M.**

**PRESENT:** Councilor Winslow McNeill, Chairman  
Michael Sweetser  
William Gleeson  
Dennis Gilliam  
Eva Wilson, Local Board Secretary (non-voting member)

**ITEM #1: CALL TO ORDER**

Chairman Winslow McNeill called the meeting to order at 7:00 a.m. Mr. McNeill stated to let the record show that a quorum is present.

**ITEM #2: OPEN CALL TO THE PUBLIC**

None.

**ITEM #3: UNFINISHED BUSINESS**

None.

**ITEM #4: NEW BUSINESS**

**A. DISCUSSION AND CONSIDERATION TO APPROVE THE MINUTES OF THE PSPRS LOCAL BOARD OF OCTOBER 7, 2015**

Michael Sweetser made a motion to approve the minutes from the October 7, 2015 meeting. Will Gleeson seconded; all were in favor, motion carried unanimously. 4-0

**B. CONSIDERATION TO APPROVE THE APPLICATION TO TRANSFER SERVICE CREDITS BETWEEN PSPRS EMPLOYERS FROM EAGAR POLICE DEPARTMENT TO SHOW LOW POLICE DEPARTMENT FOR JUSTIN BUTLER**

Will Gleeson made a motion to approve. Dennis Gilliam seconded; all were in favor, motion carried unanimously. 4-0

**C. CONSIDERATION TO APPROVE THE APPLICATION TO TRANSFER SERVICE CREDITS BETWEEN PSPRS EMPLOYERS FROM EAGAR POLICE DEPARTMENT TO APACHE COUNTY SHERIFF'S DEPARTMENT FOR BAUER BROWN**

Dennis Gilliam made a motion to approve. Chair Winslow McNeill seconded; all were in favor, motion carried unanimously. 4-0

D. CONSIDERATION TO ACCEPT RICARDO HERRERAS' NEW MEMBERSHIP INTO THE PSPRS THROUGH THE EAGAR POLICE DEPARTMENT EFFECTIVE JULY 9, 2016

Mike Sweetser made a motion to accept Ricardo Herreras' application into Eagar Police Department's PSPRS. Will Gleeson seconded; all were in favor, motion carried unanimously. 4-0

E. CONSIDERATION TO ACCEPT WALKER RICHARDSON'S NEW MEMBERSHIP INTO THE PSPRS THROUGH THE EAGAR POLICE DEPARTMENT EFFECTIVE AUGUST 6, 2016

Mike Sweetser made a motion to accept Walker Richardson's application into Eagar Police Department's PSPRS. Will Gleeson seconded; all were in favor, motion carried unanimously. 4-0

**ITEM #5: SIGNING OF DOCUMENTS**

The Minutes of October 7, 2015 were signed; Justin Butler's and Bauer Brown's transfer forms, and Ricardo Herreras' and Walker Richard's new membership forms have been signed by Local Board Secretary Eva Wilson and forwarded to PSPRS.

**ITEM #6: ADJOURNMENT**

Mike Sweetser asked if the Local Board Secretary would present the routine items into a Consent Agenda format in the future. Chair Winslow McNeill has no objection to that and wants Board members to know that when using the Consent Agenda format, members can remove items for further discussion and the item voted upon separate from the Consent Agenda.

Dennis Gilliam moved to adjourn the meeting [at 7:06 a.m.] Mike Sweetser seconded; motion carried unanimously and the meeting adjourned. 4-0

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Chair Winslow McNeill

**PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM**  
3010 E. Camelback Rd., Suite 200, PHOENIX, ARIZONA 85016  
(602)255-5575 FAX (602)296-2368 www.psprs.com

**FORM P6**  
08/15  
Page 1 of 2

**APPLICATION FOR A SEPARATION REFUND OR DEFERRED ANNUITY**

NAME: BRANNON ROSS FACAR SOCIAL SECURITY NUMBER: SPRINGERVILLE AZ 85938  
MAILING ADDRESS: (Street) (Apt. No.) (City) (State) (Zip)  
PHONE NUMBER: (Area) (Number) BIRTH DATE: (Month/Day/Year)

MY PSPRS MEMBERSHIP EMPLOYMENT WITH EAGLE POLICE DEPARTMENT  
BEGAN ON JANUARY 7, 2014 (05/12/2014) AND TERMINATED ON JANUARY 7, 2016

I certify that I have terminated my employment; I have not been accepted for employment with any other PSPRS employer; I have not previously received a refund of my accumulated contributions to the PSPRS; the dates of membership and termination in this application and the periods of leave of absence without pay are correct; I understand the terms and requirements for the Refund Option and the Deferred Annuity Option below; and I make my election as indicated below.

**REFUND OPTION**

By INITIALING BRE this Refund Option, I hereby apply for a refund of my accumulated contributions in the Arizona Public Safety Personnel Retirement System as well as any enhanced refund as provided by law. I understand that BY WITHDRAWING MY ACCUMULATED CONTRIBUTIONS, I TERMINATE MY MEMBERSHIP AND FORFEIT ALL RIGHTS to benefits under the PSPRS and my rights to rehearing and appeal. I also understand that withdrawing my accumulated REFUND contributions results in my service credits in the PSPRS being cancelled. If I do not withdraw my contributions and I obtain employment with an employer in the PSPRS after my termination, my service credits will be transferred to my record with my new employer. I understand that if I DO NOT withdraw my contributions and I DO NOT obtain employment with an employer in the PSPRS after my termination, the termination of employment shall constitute a break in service, but I may be entitled to a deferred retirement benefit, see below; however, if I again obtain employment with an employer in the PSPRS my service shall be credited only from the date when my most recent re-employment period commences. If I withdraw my accumulated contributions and I am re-employed by the same employer within two years, I can have my service credits reinstated if, within 90 days of reemployment, I sign and file with my local PSPRS board a written election to reimburse the PSPRS and, within one year of reemployment, I repay to the PSPRS the accumulated contributions I withdrew, with interest as provided in A.R.S. § 38-849.C. If the refund includes taxable monies, I hereby acknowledge receiving and reading the special tax notice regarding these taxable monies. I further understand that pursuant to A.R.S. § 38-921, I may be entitled to transfer my service credits to a new state retirement system upon subsequent employment in a position not covered by PSPRS and that by withdrawing my contributions, I am forfeiting all of these rights. If the Refund Option is selected, the refund check will be mailed to the address shown above, or the designated financial institution(s) on the attached form(s), or per my request will be direct deposited within twenty (20) business days after this completed application, including the Employer's Certification of Termination, is filed with the BOARD OF TRUSTEES, PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM, 3010 E. Camelback Rd., Suite 200, PHOENIX, ARIZONA 85016, and the final wage deduction is sent to the Board of Trustees.

**DEFERRED ANNUITY OPTION**

By INITIALING BRE this Deferred Annuity Option A.R.S. 38-846.01, I hereby elect to leave my accumulated contributions on deposit and receive a Deferred Annuity commencing on or after my 62<sup>nd</sup> birthday. I understand that I may elect this deferred annuity only if I have at least ten years of credited service in the PSPRS and my membership date is on or before December 31<sup>st</sup>, 2011. I also understand that if I die and I have accumulated contributions remaining in the PSPRS, those accumulated contributions will be paid to my designated refund beneficiary, if living, or to my designated contingent refund beneficiary, if living, or to my nearest living kin as selected by my local PSPRS board. A Deferred Annuity shall be a lifetime monthly pension actuarially equivalent to the member's accumulated contributions plus an amount paid by the employer, and shall commence on application, on or after the 62<sup>nd</sup> birthday. The Annuity is not a retirement benefit and annuitants are not entitled to receive any amount prescribed by section 38-846, subsection F, or section 38-846, 38-856 or 38-857. All changes of address must be reported, in writing, to the local PSPRS board and the Board of Trustees.

**TAXABLE MONIES (All monies contributed after July 1, 2000 are taxable monies)**

You must complete the information below before a refund check is issued.

By INITIALING BRE, I understand and acknowledge the following:

1. I am aware that I have at least 30 days to decide whether I want to elect a direct rollover or to elect a cash distribution of my taxable monies and I am electing to waive this 30-day waiting period.
2. I have completed the Lump Sum Distribution Election Form that prescribes certain tax consequences regarding the above taxable monies.
3. I have received and read the special tax notice regarding these taxable monies and understand the tax consequences explained in the notice and election form.

If this application form is not witnessed or initialed or if the Lump Sum Distribution Election form is not completed, it will be returned which will cause a delay in the processing of any refund.

If you divorced during your employment, provide our office with a copy of your Divorce Decree or Domestic Relations Order. Note: A.R.S. §§ 38-860, 38-910, 38-922 states that if you have been involved in a divorce, the System/Plan is not liable for any benefits you receive. You are considered trustee to the funds and will be the sole party against with whom an action may be brought to recover the payment.

I declare under penalty of perjury that the above information is true, correct and complete to the best of my knowledge and belief.

8/29/16  
DATE

[Signature]  
EMPLOYEE'S SIGNATURE

[Signature]  
WITNESS

COPY

NAME: BRANNON ROSS EAGAR

SSN: \_\_\_\_\_

FORM P6  
Page 2 of 2

### EMPLOYER'S CERTIFICATION OF TERMINATION

INSTRUCTIONS: The Employer must complete this Certification of Termination and send it back to the Board of Trustees with a copy to the Local Board.

NAME OF EMPLOYER: Town of Eagar Police Department

Applicant's final wage period was from January 2, 2016 through January 15, 2016

Last date of employment: January 8, 2016

Employee contributions for final wage period by applicant total \$ 87.75

(The Board of Trustees will deduct prior payments, if any, made by the PSRS to or on behalf of the applicant to arrive at refundable accumulated contributions. A.R.S. Sections 38-842.2 and 38-846.02)

The undersigned representative of the employer hereby certifies that the applicant named above has actually terminated his employment and agrees that any excess refund paid to the applicant due to an overstatement of the total aggregate employee contributions shall be the liability of the employer. I also acknowledge that the membership date and termination date provided by the employee above corresponds with the information in our personnel files.

EMPLOYER'S REPRESENTATIVE:

[Signature]  
SIGNATURE

Local Board Secretary (928) 333-4128 08/29/2016  
TITLE TELEPHONE NUMBER DATE  
Town Clerk/Hr Manager

If you were a member who became a member of the system before January 1, 2012 and if you have five or more years of credited service with the system you are entitled to receive additional monies according to the following schedule:

- 5 to 5.9—25% of member contributions deducted from the member's salary pursuant to A.R.S. § 38-843, subsection C.
- 6 to 6.9—40% of member contributions deducted from the member's salary pursuant to A.R.S. § 38-843, subsection C.
- 7 to 7.9—55% of member contributions deducted from the member's salary pursuant to A.R.S. § 38-843, subsection C.
- 8 to 8.9—70% of member contributions deducted from the member's salary pursuant to A.R.S. § 38-843, subsection C.
- 9 to 8.9—85% of member contributions deducted from the member's salary pursuant to A.R.S. § 38-843, subsection C.
- 10 or more—100% of member contributions deducted from the member's salary pursuant to A.R.S. § 38-843, subsection C., plus interest at 3% after 30 days if left on deposit.

Otherwise, if you were a member of the system on or after January 1, 2012 you are entitled to receive a lump sum payment equal to the member's accumulated contribution plus interest at a rate determined by the board. (Currently 3%)

All of the additional monies prescribed above are taxable monies. NOTE: Periods of time during which you were on a leave of absence without pay do not count as credited service.

### LEAVES OF ABSENCE WITHOUT PAY (Complete only if you have five or more years of credited service)

During my periods of covered service, I have been on leave of absence without pay as indicated below: (Initial and complete)

☒ (a) NONE

(b) From   /  /   Through   /  /   Employer                       
From   /  /   Through   /  /   Employer                       
From   /  /   Through   /  /   Employer                     

### EMPLOYER'S CERTIFICATION OF INFORMATION (Complete only if the employee has five or more years of credited service)

The undersigned representative of the employer hereby certifies that the periods of leave of absence without pay provided by the applicant named on the reverse hereof corresponds with the information in our personnel files.

EMPLOYER'S REPRESENTATIVE:

[Signature]  
SIGNATURE

Local Board Secretary (928) 333-4128 08/29/2016  
TITLE TELEPHONE NUMBER DATE  
Town Clerk/Hr Manager

**FORM P1**  
08/16  
Page 1 of 2

**PLEASE PROVIDE A COPY OF THE MEMBER'S SOCIAL SECURITY CARD**



**Eva Wilson**

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**From:** Public Safety Personnel Retirement System <communications@psprs.com>  
**Sent:** Friday, November 11, 2016 5:13 PM  
**To:** e.wilson@eagaraz.gov  
**Subject:** AZ SUPREME COURT STRIKES PSPRS REFORMS

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## **Arizona Supreme Court strikes pension reforms**

**PSPRS still expected to save \$475 million due to 2016 measures**

ARIZONA - The Arizona Supreme Court overturned two provisions of state law designed to provide financial relief to underfunded retirement plans managed by PSPRS. The *Hall v. EORP* lawsuit follows a similar loss in 2014 and cements the practical and legal limits of pension reform efforts.

"The reforms struck down in recent years were the products of good faith efforts to put Arizona public safety retirement plans on a stable and sustainable path forward," PSPRS Board of Trustee Chairman Brian Tobin said. "The court's decision amplifies the importance and achievement of Proposition 124 passed into law this year. Without this key measure passed by lawmakers, Governor Ducey and the public, PSPRS-managed retirement plans, retirees, members and employers would be facing a far more uncertain future."

In *Hall*, the Arizona Supreme Court determined that 2011 legislative reforms that increased employee contribution rates and modest reductions to pension benefit increases were unconstitutional. The court's ruling impacts employees who were already hired or retired by the effective date of the 2011 law.

In response to the ruling, PSPRS must provide partial refunds to impacted members who under the contested law had their retirement contribution rates rise above the existing 7.65 percent level. Likewise, those who retired after the effective date of the

2011 legislation may be owed retroactive benefit increases calculated under the previous permanent benefit increase (PBI) formula.

Preliminary and unaudited estimates by PSPRS indicate that contribution refunds and retroactive pension increases could reach \$220 million. The long-term adverse impacts of the *Hall* decision are offset by additional savings created by Senate Bill 1428 and Prop 124, both of which became law this year.

"While this ruling is unfortunate, the impacts would have been worse without the reform efforts of Prop 124 and SB1428," said PSPRS Administrator Jared Smout.

The 2016 pension reform efforts in SB1428 created a new employee benefit "tier" set for those hired after July 1, 2017, which effectively avoids the legal challenges associated with enacting laws that impact currently serving employees. In crafting Prop 124, which voters passed overwhelmingly in May, public safety stakeholders and lawmakers replaced the costly permanent benefit increase formula in the state constitution, as opposed to previous changes made in state law that were overturned in the *Hall* decision.

Despite the financial impact of the court's opinion in *Hall*, retirement plans managed by PSPRS are still expected to save an estimated \$475 million in long-term costs due to changes to state law and the constitution in 2016. The combined assets of the PSPRS, Corrections Officer Retirement Plan (CORP) and the Elected Officials Retirement Plan (EORP) are currently valued at \$8.7 billion.

The individual actuarial valuations for fiscal 2017-18 expected in the coming weeks will reflect pension reform efforts passed in 2011 and 2016 that mitigate the full effects of *Hall* but will not include the impact caused by the return of additional contributions and retroactive benefit increases. Due to the timing of the *Hall* ruling and the immediate lack of precise refund and benefit increase payment amounts, it is most likely that the smaller, incremental effects of the lawsuit will not be factored into individual employer funding levels and rates until the June 30, 2017, valuations are released next year.

**Eva Wilson**

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**From:** Public Safety Personnel Retirement System <communications@psprs.com>  
**Sent:** Tuesday, November 15, 2016 7:06 AM  
**To:** e.wilson@eagaraz.gov  
**Subject:** The Who, When and How of carrying out the Hall decision

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### **The Who, When and How of carrying out the Hall decision**

The *Hall* lawsuit decided last week impacts certain - but not all - members and retirees of all three plans managed by PSPRS. The court's decision requires payment by PSPRS-managed plans to thousands of currently contributing members and retirees.

The largest pool of those eligible to receive money back from PSPRS-managed plans are actively contributing EORP and PSPRS members who paid the increased contribution rates mandated by Senate Bill 1609 that were struck down by the courts. A far smaller section of retirees of all three plans are entitled to receive retroactive permanent benefit increases.

Please read the following information carefully in order to determine whether you are entitled to receive payment of excess employee retirement contributions or a permanent increase to retiree benefits:

#### **I am an active member - will some of my contributions be refunded?**

- This depends upon members' hiring dates and whether they are a member of EORP (the defendant in the lawsuit) or PSPRS.
- CORP members did not have their contribution rates changed by SB1609 and therefore are not impacted by the *Hall* lawsuit.
- PSPRS and EORP employees hired prior to the July 1, 2011, effective date of the contribution rate increase will receive a refund of contributions in excess of the rate that was in effect when they were hired.

- Those hired on or after July 1, 2011, are not affected by the *Hall* lawsuit as they began their employment with the understanding and agreement of employee contribution levels that were established by Senate Bill 1609 passed in 2011.

#### **I am a retiree - will I receive a retroactive permanent benefit increase?**

- This depends entirely on *when* a person retired.
- The *Hall* lawsuit impacts certain members of all three plans - PSPRS, CORP and EORP.
- Employees who retired prior to Aug. 1, 2011, are not affected by the *Hall* lawsuit. This class already received retroactive permanent benefit increase (PBI) payments as a result of the *Fields* lawsuit in 2014.
- Those who retired after July 2011 may be eligible to receive retroactive benefit increases depending on when they retired.
  - In order to receive a permanent benefit increase, the reinstated state law requires that a member be retired for at least two years or be retired for at least one year and be at least 55 years old by July 1 during years when investment returns are sufficient to trigger the distribution of PBIs. For the purposes of the *Hall* lawsuit, PSPRS-managed plans distributed PBIs in 2013 and 2014, meaning retirees must have met either the minimum retirement period and/or age criteria by July 1, 2013, or July 1, 2014, to qualify for a benefit increase under the *Hall* ruling.
  - Importantly, all PSPRS (excluding CORP and EORP) members and retirees will be impacted by Prop 124, which voters passed in May 2016. Prop 124 replaces the current permanent benefit increase (PBI) mechanism with a cost of living adjustment (COLA) for PSPRS retirees beginning July 1, 2018.

#### **When can I expect to receive money?**

- The Arizona Supreme Court ruled against provisions of SB1609 and remanded the lawsuit to the trial court to determine *how* the payments will be made to members.
- PSPRS will work with the litigants to determine how the Arizona Supreme Court's opinion will be carried out.
- The process involves multiple lawsuits (*Hall v. EORP* and *Parker v. PSPRS*) and there are several outstanding issues. This includes interest determination and ultimately applying agreed upon remedies under *Hall* to the *Parker* case, which requires additional legal proceedings.
- It is not likely that impacted members and retirees will receive excess contributions or retroactive PBI adjustments before the end of the calendar year.

- PSPRS acknowledges and respects the court decision and all impacted members and retirees will receive all owed excess contributions and/or benefit increases.

**I am an employer/payroll employee - Which contribution rate do I use?**

- Keep using the 11.65 percent employee contribution rate (or 13 percent for EORP) until notified otherwise by PSPRS.
- The employee contribution rate for those impacted by the *Hall* decision will return to 7 percent for EORP members and 7.65 percent for PSPRS members upon notification by PSPRS.

**Public Safety  
Personnel  
Retirement System**

Contact Information:  
**PSPRS Administrative Offices**  
*(Also for CORP & EORP)*

3010 E Camelback Rd., Suite 200  
Phoenix, AZ 85016

602 255 5575 Telephone  
602 255 5572 Fax



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PSPRS, 3010 East Camelback Road, Suite 200, Phoenix, AZ 85016

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Sent by [communications@psprs.com](mailto:communications@psprs.com) in collaboration with

**From:** Public Safety Personnel Retirement System <communications@psprs.com>  
**Sent:** Monday, December 12, 2016 4:03 PM  
**To:** e.wilson@eagaraz.gov  
**Subject:** PSPRS news: Individual contribution rates now available

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## Individual contribution rates now available

Individual employer contribution rates for PSPRS and CORP are now available online.

Contribution rate increases were caused primarily by short-term actuarial increases due to Prop 124 (for PSPRS) and the reduction of the assumed earnings rate in 2015 (for both PSPRS and CORP) by the Board of Trustees. The EORP rate currently remains at 23.5 percent.

## Updates on the Arizona Supreme Court's Hall decision

PSPRS is aware that since the recent Supreme Court ruling in the *Hall v. Elected Officials' Retirement Plan (Hall v. EORP)* case, members and employers have many questions, and everyone is anxious to begin taking action in compliance with the court's ruling.

However, the legal process is not complete, and PSPRS is not authorized to take any action at this time to implement the court's decision. The parties have until December 27, 2016, to submit petitions for reconsideration of some parts of the decision that were not clear in the opinion, or were not addressed at all. The Supreme Court will issue its mandate within 15 days after the final disposition of any motions for reconsideration. The issuance of the mandate will terminate the appeal process, and return jurisdiction to the Superior Court of Arizona, which only then can address the unresolved issues. These unresolved issues involve determining a method for

restoration of excess contributions and unpaid PBI, allocation and amount of fees, and the question of prejudgment interest.

In as much as *Hall v. EORP* was a class action, it is of note that the form of remedy for the certified class will require extensive consideration by the Maricopa County Superior Court. In addition, there is no court judgment of any kind as to plan members who were not in the certified class in *Hall*. They include members of PSPRS, members of CORP, and even members of EORP who were not judges or justices of the Superior Court of Arizona, the Arizona Court of Appeals, or the Arizona Supreme Court. Although the legal principles applicable to these members appear identical, the appropriate remedy, necessary steps, and time table are still undetermined. The issues to be resolved should be the same for all three plans. This process will not happen instantly, but steps are being taken to expedite the implementation of the court's decisions as quickly as possible. As such, employers should take the necessary steps to plan and prepare for needing to return affected employee contribution rates back to their lower levels when directed to do so.

**Public Safety  
Personnel  
Retirement System**

**Contact Information:**  
**PSPRS Administrative Offices**  
(Also for CORP & EORP)

3010 E. Camelback Rd., Suite 200  
Phoenix, AZ 85016

602.255.5575 Telephone  
602.255.5572 Fax



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PSPRS, 3010 East Camelback Road, Suite 200, Phoenix, AZ 85016

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**Mike Sweetser**

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**From:** Jan Strauss [jan@azchiefsofpolice.org]  
**Sent:** Thursday, November 10, 2016 5:47 PM  
**Subject:** Fwd: State Supreme Court rules state retirement plan law unconstitutional

Begin forwarded message:

**From:** JThomasLaw@aol.com  
**Subject:** State Supreme Court rules state retirement plan law unconstitutional  
**Date:** November 10, 2016 at 5:04:22 PM MST  
**To:** jan@azchiefsofpolice.org

John Thomas asked that I send this out:

## **State Supreme Court rules state retirement plan law unconstitutional**

By: Howard Fischer, Capitol Media Services November 10, 2016 , 12:07 pm

A 2011 state law requiring employees to pay more into their retirement plans is unconstitutional, the Arizona Supreme Court ruled Thursday, meaning higher future expenses for state and local governments.

In a divided ruling, the justices said that when judges took the bench they were told they would have to contribute just 7 percent of the earnings to the Elected Officials Retirement Plan. Acting Supreme Court Justice Randall Howe, writing for the majority, said that became part of their contract with the state.

What that means, Howe said, is that the state could then not unilaterally boost the judges' contribution to 10 percent in 2011 rising to 13 percent two years later, even if lawmakers said that was necessary to maintain the financial stability of the pension fund.

The case affects more than those judges who were on the bench as of 2011 when the law changed. **It also means refunds of about \$220 million to about 26,000 state and local police, fire fighters and corrections officers who are in other government-run pension plans that made similar hikes in employee contributions, hikes that Thursday's ruling found illegal.**

What remains to be decided is how the pension funds make up the money they have to refund. They could assess the government employers retroactively or simply boost what the employers have to pay in the future to make up the lost cash.

Employees have no financial reason to let the pension funds keep the extra money. Their retirement benefits are based on a percentage of their salaries, a figure that is unaffected by how much they contributed during their working years.

Joyce Garland, the chief financial officer for the city of Tucson, said she does not know what the ruling will cost taxpayers — or when. She said when the high court struck down another change in pension laws two years ago the city was given several years to pay off the



additional funds needed.

Doing nothing about the loss is not a likely option: Christian Palmer, spokesman for the three affected funds, said the ruling adds \$1.3 billion in unfunded liabilities to the retirement plans which have assets of about \$8 billion but liabilities of \$16 billion.

Thursday's ruling drew a stinging dissent from Justice Clint Bolick, who insisted that there is no contract between the government and its workers on pension contributions. He called the concept "a work of legal fiction to which the likes of John Grisham could only aspire."

And Bolick said while Thursday's ruling "portends a huge financial windfall" for those who will get back the money, it is "a burden the taxpayers will shoulder."

As it turns out, Bolick is the only actual member of the Supreme Court to have a voice in this case.

The other four justices disqualified themselves as they were on the bench when the 2011 law was approved and have a financial stake in the issue. Bolick was appointed earlier this year; the other four who heard this case are judges from lower courts who were named since 2011. This is the second financial setback in as many years for the retirement plans. Two years ago the justices — the actual ones — struck down another provision of the same law that reduced automatic cost-of-living increases for retired judges.

At the heart of the dispute is a provision in the Arizona Constitution which said that "public system retirement benefits shall not be diminished or impaired."

Howe said that was not a problem in the 1990s when the retirement system was generating high returns. But he said decisions to invest in tech and telecommunications companies "made the plan vulnerable to major financial shocks."

By 2011, he said, the plan's assets were just 62 percent of liabilities, down from 121 percent in 1998.

That year, in a bid to fix the problem, lawmakers made two changes.

One was that now-overturned in future cost-of-living increases. Thursday's ruling involves the mandate that judges put more into the pension fund.

Two judges sued on behalf of themselves and others to strike that down.

Howe said lawmakers acted improperly.

"The law in Arizona has been clear that public employees are contractually entitled to the retirement benefits specified in their initial employment contract," he wrote for the majority. And Howe said that contract includes not just how much they get when they retire but also how much they have to pay to get those pension benefits.

Bolick, however, said even if there was a contract between the state and the judges and other employees it could be voided because was based on the "mutual mistake" of how much the retirement funds would be earning to cover the cost of future pensions.

Thursday's ruling does not affect the much larger Arizona State Retirement System with its more than 211,000 active state and local workers and teachers. Its formula requires employees to match employer contributions on a 50-50 basis, a ratio that has remained the same.

# 2016 Legislative Update

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Public Safety Personnel Retirement System

Correction Officer Retirement Plan

Elected Officials Retirement Plan



# Legislative Bills and Effective Dates

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## *Senate*

- House Bill 1152 PSPRS Continuance (Effective August 6, 2016)
- Senate Bill 1160 CORP Reverse Drop (Effective immediately)
- House Bill 2074 Cancer Insurance (Effective August 6, 2012)
- House Bill 2019 Redemption/Transfer of Service (Effective August 6, 2016)
- House Bill 2643 PSPRS, CORP, EORP Administrative Changes (Effective August 6, 2016)
- Senate Bill 1428 PSPRS Modification (Effective August 6, 2016)

# Senate Bill 1152

- HB 1152
  - All agencies go through a sunset review process which is a normal protocol for state agencies.
  - Public Safety Personnel Retirement System will continue to operate for 8 more years, until the next Sunset Review in July 2024.
  - Included in review was a required performance audit of the System in vestment activities, noted findings include:
    - The PSPRS trust is highly diversified and protected against adverse economic events.
    - The System saved approximately \$40 million on investment fees through negotiations conducted through legal counsel.

# Senate Bill 1160/House Bill 2074

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- SB 1160
  - Removes previous sunset provision on Reverse DROP.
  - Makes the Reverse DROP a permanent benefit option to CORP members.
- HB2074
  - Changes the name of plan to: Public Safety Cancer Insurance Policy Program
  - Clarifies that eligible participants include all positions as defined in section 38-881 (for example: detention officers, probation, corrections, etc.)

# House Bill 2019

- Reduces the number of years required to be on record in order to purchase military service from 10 to 5 years.
- Amends language with respect to the “Discount Rate” utilized for service purchases.
  - The cost to purchase certain types of eligible service will be reduced. Effective August 6th, 2016, the rate used to calculate eligible out-of-state, contracted fire (i.e., Rural Metro), and pre-joinder service will change, resulting in a lower cost for that service. Members must apply for service purchase before June 30, 2017. On July 1, 2017, the rate for all types of purchases, including those above, will increase.

# House Bill 2643

(System Sponsored Administrative Bill)

- Amended language associated with Local board membership for Fire Districts to align with how District Boards are currently established.
- Fire Districts will be organized: The Chairperson of the Fire District or the chairperson's designee is the Chairman of the local board.
- The bill modified the language related to how the ACR is determined: Alternate contribution rate is calculated based on the individual employer total required contribution, not the aggregate.
  - Minimum ACR for any individual shall not be less than 8%.

# Senate Bill 1428

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Pension reform bill which affects PSPRS Plan employers, local boards and members.

- Creates new tier of benefits for newly hired employees covered under the plan
- Establishes a defined contribution plan as a benefit option
- Modifies how the Plan provides for Permanent Benefit Increases
- Restructures the governance of the System

Our discussion today will be about the changes to the law. PSPRS workgroups are currently developing any operational changes and will communicate those change in the coming months.

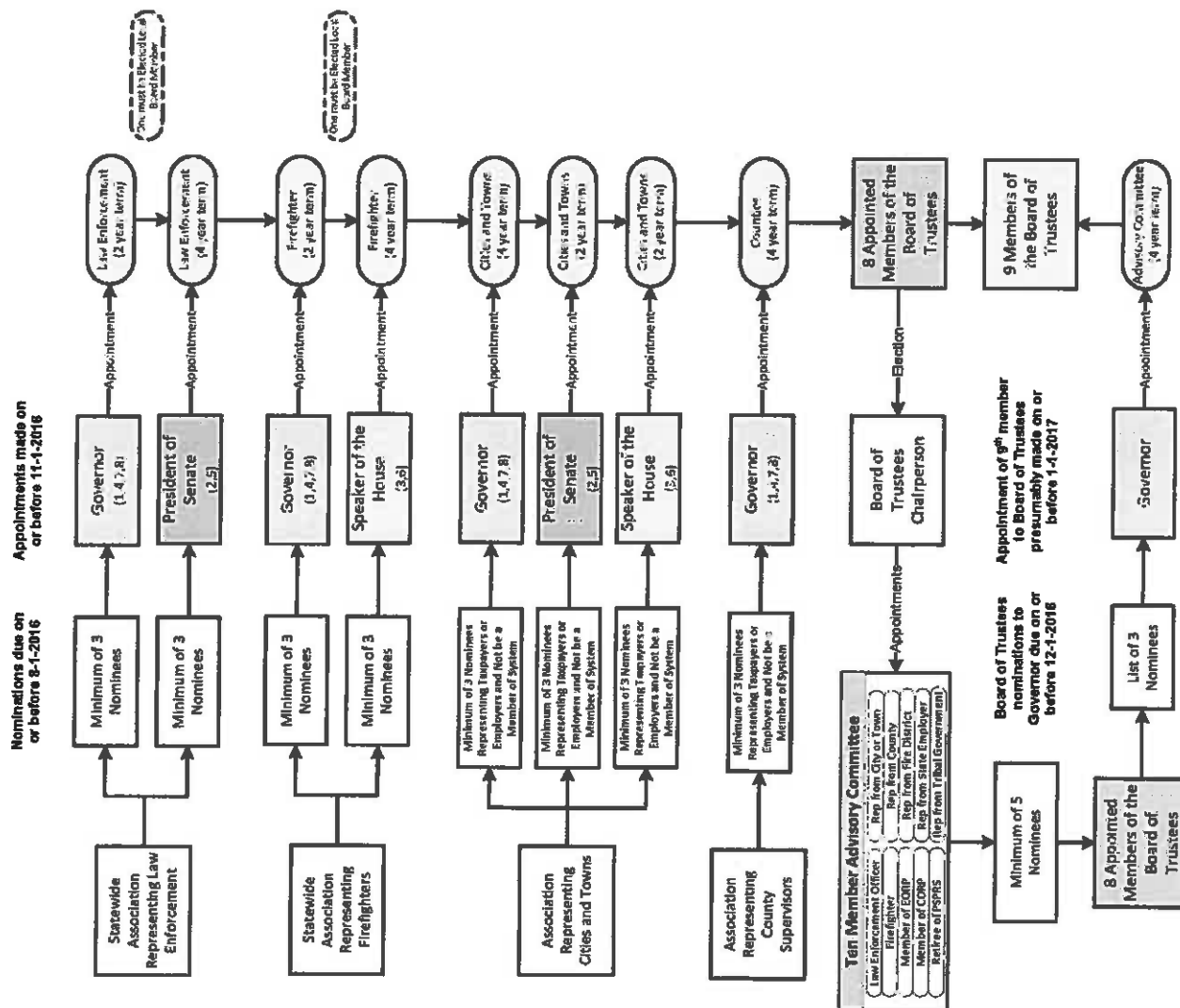


# SB1428: New Structure for Board of Trustees

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- Increases the Board of Trustees to 9 members from 7.
  - 2 Trustees who represent law enforcement
  - 2 Trustees who represent firefighters
  - 3 Trustees who represent cities and towns
  - 1 Trustee who represents counties
  - 1 Trustee recommended by the Board of Trustees
- Appointments are made by Governor, President of the Senate and Speaker of the House.

## Nine Member Board Of Trustees Appointment Process



# SB1428: New Structure for Board of Trustees

<ul style="list-style-type: none"><li>• Establishes a 10 member Advisory Committee</li><li>• Serve as liaisons between the BOT and:<ul style="list-style-type: none"><li>• Membership</li><li>• Employers</li></ul></li><li>• Appointments to the Advisory Committee is handled by the BOT Chairperson.<ul style="list-style-type: none"><li>• nominees by associations</li></ul></li></ul>	<p><b><u>Committee Composition:</u></b></p> <ul style="list-style-type: none"><li>• Member who participates in PSPRS representing law enforcement</li><li>• Member who participates in PSPRS representing firefighters</li><li>• Member who participates in EORP</li><li>• Member who participates in CORP</li><li>• Retiree from PSPRS</li><li>• Representative from a city or town</li><li>• Representative from a county</li><li>• Representative from a fire district</li><li>• Representative from a state employer</li><li>• Representative from a tribal government</li></ul>
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# SB1428: Plan Study

- Bill establishes requirement to commence a study of the PSPRS Plan addressing the following:
  - Determining various feasible methods in structuring risk-pooling of the Plan
  - Analyzing potential methods in consolidation of Local Boards
- Results and recommendations of this study to be presented to the BOT on or before Jan. 15, 2017.
- Recommendations adopted by the BOT that would require legislative action must be reported to the President of Senate, Speaker of the House and Governor on or before Feb. 15, 2017.

# SB1428: Tier 3 Benefits

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Establishes Tier 3 benefits for new hires on or after July 1, 2017.

- Creates new DB structure
- Establishes DC Plan with a disability benefit component

The member will choose within 90 days of the hire date either the DB plan or the DC plan

- The decision to participate in the DB Vs. DC plan will be irrevocable.

Limits the annual compensation to contribute at \$110,000.

- BOT shall adjust compensation limit every 3 fiscal years, beginning FY21 using the Public Safety Wage Index established by this Bill

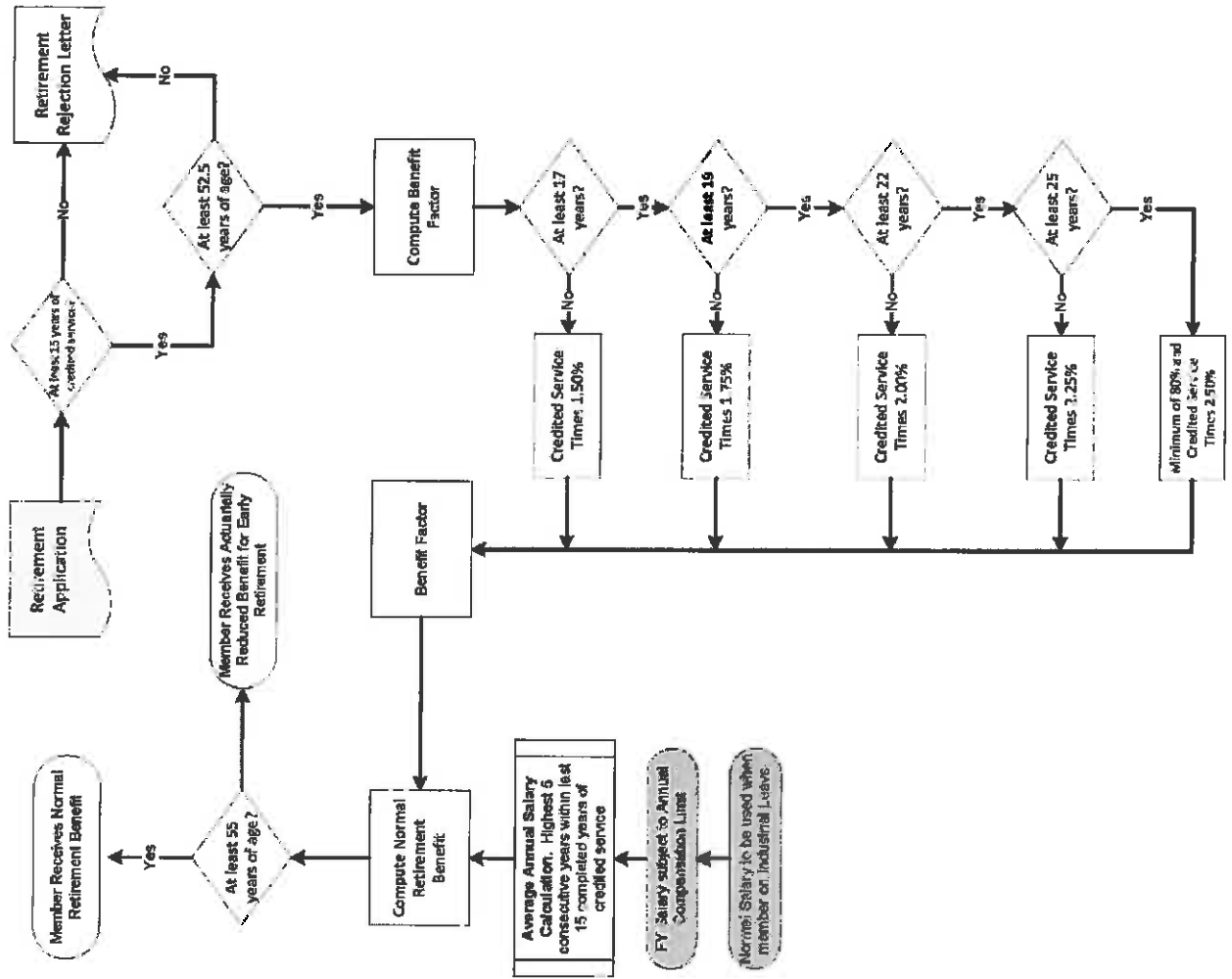
# SB1428: Defined Benefit Plan

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## Defined Benefit Plan structure:

- Normal Retirement requires at least 15 years of credited service and member to be age 55
- Member has ability to take an “Early Retirement”
  - Must be age 52.5 with 15 years of credited service
  - Member would receive actuarially reduced benefit
- Benefit is calculated utilizing:
  - The average of the member’s highest 5 consecutive years of compensation within the last 15 years of service (Average Compensation).
  - Benefit factor based on a percentage of average compensation in relation to member’s actual years of credited service
- Contribution rate into the DB Plan for employer and employee is split 50/50

# Tier 3 Benefit Calculation



# SB1428: Defined Contribution Plan

- Bill establishes a Defined Contribution plan as an option for employees hired after July 1, 2017.
  - Employee can elect to participate solely in the DC.
  - Employee who elects to participate in the DB, will also participate in the DC if not covered under OASI.
- Employee contribution rates:
  - For those who elect exclusively DC plan coverage, 9% of compensation.
  - For DB members required to participate, 3% of compensation
  - Employee can make a one-time election, at initial enrollment, to increase percentage. This amount can not be changed and remains throughout entire PSPRS participation.
- Employer makes equal contribution into the DC plan based on the employees participation status.
  - Employer contribution does not include employee voluntary increased percentage.



# SB1428: Defined Contribution Plan

## Provisions for Tier 2 PSPRS Members

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- Employees who are considered Tier 2 PSPRS members will participate in DC under the following conditions:
  - The member did not make election to opt-out of the Plan.
  - The member is not covered under OASI.
- Employee contribution rate: 3% of compensation
- Employer contribution rate: Two step process
  - Begins with 4% of employee compensation for a limited time, based on employee's hire date.
  - Reduces down to 3% of employee compensation once required time period has passed.
- This new DC program is separate from the already established Supplemental DC Plan PSPRS offers.

# SB1428: Defined Contribution Disability Program

- Individuals who participate exclusively in the DC plan are covered under the disability program.
- Employee & Employer contribution rate into the program is split 50/50
- Eligibility requirements and calculation of benefit for any disability payable under this program mirror those for Tier 3 DB members.
  - Actuarial offset based on participants assets in DC plan, will reduce calculated benefit amount.

# Senate Bill 1429

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- Provided for a special election to amend state constitution related to pensions in order to approve changes to the Permanent Benefit Increase structure established in SB 1428.
  - Repealed the methodology used for Tier 1 and Tier 2 members' permanent benefit increases.
  - Establishes a cost of living increase adjustments for members.
  - Special election also addressed DC component for Tier 2 members.
  - Special election held in May: Proposition 124
    - Voters approved
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# SB1428: Cost of Living Adjustments (COLA)

Members Hired On Or Before	Members Hired On Or After
June 30, 2017	July 1, 2017
<ul style="list-style-type: none"><li>• CPI-based utilizing metro Phoenix-Mesa data published by BLS</li><li>• Increase added to individual base benefit</li><li>• 2% Cap</li><li>• No waiting period</li><li>• No funding requirement</li></ul>	<ul style="list-style-type: none"><li>• CPI-based utilizing metro Phoenix-Mesa data published by BLS</li><li>• Increase added to individual base benefit.</li><li>• Increase applied the first calendar year following 7 years of retirement or attainment of 60 years of age.</li><li>• Percentage applied based on Plan's funding status, with a cap of 2%</li></ul>

### Tier 3 COLA Eligibility and Benefit Calculation

